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READJUSTMENTS IN UNITED STATES AGRICULTURAL PRODUCTION IN THE POST WAR

Address by F. F. Elliott, Chief Agricultural Economist, Bureau of Agricultural Economics, at 21st Annual Agricultural Outlook Conference, Washington, D. C., October 20, 1943.

The war has brought about changes in agricultural production in the United States that are little short of phenomenal. A comparison of the levels of production in 1943 with those prevailing in 1935-39 show increases, for example, of: 346 percent in oil crops; 93 percent in dry beans and peas; 54 percent in processed vegetables; 29 percent in feed grains; 24 percent in potatoes and sweetpotatoes; 15 percent in wheat, rye, and rice; 50 percent in dressed meats; 63 percent in chickens; 50 percent in eggs; and 14 percent in milk. Were the projected goals for 1944 used as the basis for the comparison, the percentage increases would be even greater.

With changes of this magnitude already having taken place and with an almost positive assurance, barring unfavorable weather, that they will be continued for the remainder of the war or even increased - what are the possibilities for their being maintained in the post-war period? Or if they cannot be maintained what readjustments are likely to be needed?

Obviously these levels of production could not long be sustained should we return in the post-war years to the conditions of demand that prevailed during the 1930's. Nor probably could they be sustained for long even should we return to the levels of demand that prevailed during 1940 and 1941. Clearly, how long they can be maintained, as well as what the needed readjustments will be, will depend primarily upon the levels of demand that will prevail during the post-war period. The answer we eventually come to, consequently, will be made in the light of what we think these developments are likely to be.

In speculating about conditions on ahead it does not seem reasonable to expect that demand either for all products or for specific commodities will remain uniform throughout the post-war period. Rather, it will vary as business activity, employment, and purchasing power vary, as we make the difficult transition from war to peace. With this in mind and largely on the basis of a priori reasoning, I am inclined to divide the post-war period into four sub-periods: (1) the period from the end of the war in Europe until its conclusion in the Pacific, (2) the period from the end of the war in the Pacific until demobilization and reconversion are completed, (3) the period from the completion of demobilization until the accumulated demand for durable, semidurable, and consumer goods has been met, and (4) the post-war period proper. These periods, designated respectively as (1) interim war, (2) transition, (3) post-transition, and (4) post-war proper, are not mutually exclusive. They will overlap each other considerably. Thus the transition period will not wait until the war is over in the Pacific - it probably will begin as soon as hostilities cease in Europe. Similar overlapping will occur in the other periods.

Possible Developments and Production
Readjustments that will be Needed in Each of These Periods

With this general classification of the post-war period let us now proceed to the discussion of the possible developments that will take place and the probable adjustments in production that will be needed to meet them. Let us begin by considering the probable situation in the interim war period.

In the Interim War Period - Presumably after the war ends in Europe it will continue for some time in the Pacific. Just how long, no one knows. The timing, however, is important. Should it continue for an extended period, say for 18 to 24 months or longer, there would be more time for demobilization and

reconversion, which presumably might mean fewer dislocations and bottlenecks, hence less likelihood of a sharp recession in business activity and employment. On the other hand, should it be of short duration the reverse situation might develop.

Irrespective of its duration it now seems highly probable that the demand for food during this interim war period will be at a very high level. This should be true both because of the high business activity and employment that are in prospect for this period and because of large purchases of food for foreign relief. To meet the unprecedented demand for food that seems likely to prevail, we undoubtedly shall need to keep our agricultural plant operating at a capacity level. Furthermore, we shall need to continue to emphasize the production of those products that yield the largest amount of nutrients per unit of resources used. This will mean giving first priority in use of our land, labor, and other agricultural resources to the production of such products as dry beans and peas, whole-wheat products, white potatoes and sweetpotatoes, soybeans, peanuts, and flaxseed for oil, and certain of the vegetables both for processing and for the fresh market. We, likewise, shall need to maintain our production of corn, grain sorghums, alfalfa hay and wheat for feed, which should be utilized first in the production of fluid milk and non-fat milk solids, and next in the production of eggs, pork, mutton, and beef.

As this pattern of production will be about the same as that emphasized during the peak of the war effort, it does not appear that any marked readjustments either in the level or in the pattern of production will be called for. This should be a period of continued prosperity for farmers in general - one in which both prices and income should remain high and one in which farmers should have little or no difficulty in finding a market for the products they will be

able to produce.

In the Transition Period - The situation in the transition period - the period from the end of the war in the Pacific until demobilization and reconversion are completed - may be, and now appears likely to be, somewhat different. The situation probably will begin to change before hostilities cease, since we already will have proceeded some distance along the road toward industrial demobilization and reconversion. After hostilities cease entirely this trend should accelerate quite rapidly and be accompanied by a rapid demobilization of our armed forces.

By the time the war ends in the Pacific and European and Russian relief needs for food also should begin to decline. This should result because of the partial recovery of European and Russian agriculture, because of increased accessibility of world sources of supply hitherto unavailable to the United Nations, and because of the shift away from lend-lease and relief to the usual channels of trade.^{1/} This decline in European and Russian relief, however, will be partially offset by an increase in Asiatic relief. Although the step-up in Asiatic relief conceivably might completely offset the decline from the Continent and Russia, I am inclined to guess that it will not, and that during this period there will be a net reduction in the total shipments abroad of food from the United States.

Demand for food in the United States also may be less than in the preceding period. Whether it is will depend upon how successful we are in our demobilization and reconversion efforts. Conceivably, we might so time our demobilization and reconversion that business activity and consumer purchasing power would

^{1/} It is assumed here that the war in the Pacific will continue long enough to permit Europe and Russia to produce at least one crop; also that as soon as this happens lend-lease and relief will fall off sharply.

remain high and there would be little or no unemployment; or if some unemployment threatened or developed it might be immediately absorbed through the institution of well-planned and executed public-works programs and by the use of generous separation payments, expanded social security benefits, or related measures. Although we should be ready in any event to step in with measures of this kind to prevent wholesale unemployment, it is questionable whether we shall be able to prevent at least some temporary recession in business activity and employment. When we consider the tremendous magnitude of the task of converting from war to peace, the inflexible nature of some of our economic, social, and political institutions, and the psychological and political factors that will be operating, we realize that it would be miraculous indeed should we come through this period without some considerable decline in both business activity and employment. We certainly should plan for such a contingency.

If, as seems probable, there is a temporary decline in business activity it should be accompanied by some decline in the over-all demand for agricultural products. But this decline would not necessarily be proportionate to the decline in business activity. Because of the accumulated savings that will be in the hands of consumers generally and because of direct measures that undoubtedly will be taken to maintain purchasing power, the over-all demand for food should not drop relatively as much. The decline would manifest itself more particularly in the case of certain commodities.

During this period, hence, I think it is quite likely that we shall find ourselves over-extended, particularly on the oil crops, on dry beans and peas, on such war crops as hemp and guayule, as well as on wheat and possibly some of the canning crops. Livestock and livestock products may suffer somewhat if, and so long as, business conditions are depressed. The same may be true of

cotton. Although the domestic carry-over of cotton at the end of the war promises to be somewhat lower than when we entered the war, the world carry-over of foreign cotton probably will be much higher. Together with the prospective decline in business activity this would seem to indicate the possibility of a lessening demand for our cotton.

The transition period, then, appears to be one in which we shall need to do some retrenching, to make some downward adjustments in the production of certain commodities particularly those for oil and for direct consumption, and get ready for the period on ahead. One of the problems that will face farmers particularly is whether to maintain feed grains and livestock production during this period, even though their prices are temporarily depressed, in order to be ready for the more favorable situation in the next period.

In the Post-Transition Period - Once the period of demobilization and reconversion is completed, the situation may change again. The situation, in fact, will begin to change before demobilization is entirely completed since the accumulated demands of the war will begin to operate as a powerful stimulus to recovery. It would appear that this underlying demand situation during the post-transition period will be such as to bring about a rapid recovery from the temporary depressed conditions that we may have experienced in the period of reconversion. We probably can look forward to a recovery that will keep business activity and employment at a high level, at least until the large accumulated demand for durable, semidurable, and consumer goods has been met. If events follow this course, what readjustments in our agricultural production will be needed?

It seems probable, in the first place, to call for some upward adjustments in production from the then-prevailing levels. We probably shall find it desirable to increase some if not most of the products whose consumption is affected by business activity. This would be true particularly for dairy products eggs, meat, fruits, and vegetables. It probably will be true for tobacco. It is much less likely to be true, however, for cotton. Such products as dry beans and peas, potatoes and sweetpotatoes also are likely to receive less emphasis. In other words, we probably shall be moving back in the direction of relatively greater emphasis upon derivative rather than direct products. This relative emphasis should continue so long as business activity and general purchasing power are maintained.

In the Post-War Period Proper - This brings us forward to the final period - the post-war period proper - to begin when the accumulated demands of the war have been met. Just when this will be, obviously, is pretty much of a guess, since the duration of the post-transition period is uncertain.

The post-war period proper, in many respects, is the most difficult of all the periods to discuss since its remoteness makes any discussion about it highly problematic and speculative. Conceivably, we might be astute enough in developing our domestic and international policies to have the relatively favorable conditions that are expected to prevail in the post-transition period gradually merge into the post-war period proper and continue for an indefinite period. On the other hand, without such policies we easily could run into a serious economic depression as soon as the accumulated demand has been met. We probably should assume that a situation somewhere in between these two extremes is most likely to emerge. We, however, should not close our eyes to the other two possibilities.

The crucial problem, of course, is how to maintain employment and how to keep our economy on an expanding basis. We certainly will have the resources, the skills, and the techniques for doing so. What is lacking are the over-all policies, the institutional adjustments, and the organizational framework for bringing it about. If we are successful in achieving the fundamental adjustments that are required we can look forward to a prosperous agriculture. We can overcome many of the disparities in income, nutrition, health, and housing under which the underprivileged, both in agriculture and in other parts of our economy, have been laboring for so long. On the other hand, if we fail we shall find ourselves confronted with the same general problems and difficulties we have experienced in the past and probably in even greater degree. Let us hope that there is enough good sense and statesmanship in this and in the other countries of the world to prevent this from happening; and that we shall emerge with an economy that works much better than did our economy in the pre-war years.